

Message Text

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C O N F I D E N T I A L MOSCOW 18532

USDOC FOR BEWT/HEISS

E.O. 11652 GDS

TAGS: ETRD, EEWT, UR, US

SUBJ: BUREAUCRATIC INFIGHTING IN FOREIGN TRADE SECTOR

1. SUMMARY. WITH UNEXPECTED FRANKNESS, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY OFFICIAL ADVISED COMMERCIAL ATTACHE AND VISITING U.S. BUSINESSMAN THAT RELATIONS BETWEEN STATE COMMITTEE AND MINISTRY OF FOREIGN TRADE WERE "VERY POOR." STATE COMMITTEE OFFICIAL SUGGESTED THAT AS SOP TO MINISTRY OF FOREIGN TRADE, U.S. COMPANY IN QUESTION DIRECT ITS PROPOSAL FOR SMALL-SCALE "COMPENSATION" DEAL TO MINISTRY RATHER THAN STATE COMMITTEE. THIS DISCUSSION AND OTHER REMARKS BY STATE COMMITTEE OFFICIAL HIGHLIGHT CONTINUING CONFLICT FOR CONTROL OF FOREIGN TRADE SECTOR BETWEEN STATE COMMITTEE AND MINISTRY, A SITUATION WHICH POSES CERTAIN PERILS FOR U.S. COMPANIES. END SUMMARY.

2. DURING MEETING WITH COMMATT AND PRESIDENT OF AMERICAN ALLOYS AND REFRACTORIES J. VAN KENNEN, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY OFFICIAL S.A. GLEBOV (U.S. DIVISION, FOREIGN RELATIONS DEPARTMENT) FRANKLY STATED THAT RELATIONS BETWEEN HIS ORGANIZATION AND MINISTRY OF FOREIGN TRADE WERE "VERY CONFIDENTIAL

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POOR." GLEBOV WENT ON TO DESCRIBE SCST-FOREIGN TRADE

MINISTRY RELATIONSHIP IN TERMS WHICH MADE IT CLEAR THAT A MAJOR POINT OF FRICTION BETWEEN TWO ORGANIZATIONS IS CONTROL OVER SO-CALLED "COMPENSATION" AGREEMENTS BETWEEN SOVIETS AND WESTERN COMPANIES. TAKING FERRO-ALLOY AREA AS CASE IN POINT, GLEBOV NOTED THAT SOVIETS WERE ENTERTAINING SEVERAL PROPOSALS FROM WESTERN COMPANIES (HE MENTIONED UNION CARBIDE AND AIRCO-ALLOYS AS BEING AMONG PRINCIPAL COMPETITORS) FOR VERY LARGE PROJECTS. WHEN MR. VANKENNEN EXPLAINED THAT HIS COMPANY WAS NOT IN SAME CATEGORY AS UNION CARBIDE AND COULD NOT PROPOSE PROJECT OF SIZE WHICH UC WOULD CONTEMPLATE, GLEBOV SUGGESTED THAT VAN KENNEN TAKE HIS PROPOSAL FOR A SMALL-SCALE "COMPENSATION" DEAL TO MINISTRY OF FOREIGN TRADE. THIS WOULD, GLEBOV EXPLAINED, HELP SCST BY DEMONSTRATING THAT SCST WAS NOT SEEKING TO MONOPOLIZE THIS ASPECT OF USSR'S FOREIGN ECONOMIC RELATIONS.

3. IN PREVIOUS DISCUSSION OF POSSIBLE STRUCTURAL CHANGES IN SOVIET FOREIGN TRADE SYSTEM, GLEBOV COMPLAINED TO COMMATT THAT MINISTRY OF FOREIGN TRADE HAD DISTORTED ORIGINAL LENINIST POLICY OF STATE MONOPOLY OVER FOREIGN TRADE TO "MINISTRY OF FOREIGN TRADE'S MONOPOLY OVER FOREIGN TRADE." THERE WAS NO REASON FROM THEORETICAL POINT OF VIEW, HE SAID, WHY OTHER ORGANIZATIONS SUCH AS INDUSTRIAL MINISTRIES SHOULD NOT BE ALLOWED PARTICIPATE IN FOREIGN TRADE. IN THIS CONNECTION, GLEBOV NOTED THAT MINISTRY OF NON-FERROUS METALLURGY, WITH WHICH HE WORKS CLOSELY, HAD RECENTLY FORMED NEW MAIN ADMINISTRATION KNOWN AS TSVETMETZAGRANPOSTAVKA WHICH IS SEPARATE FROM THAT MINISTRY'S TRADITIONAL "FOREIGN RELATIONS DEPARTMENT" (UVS). ACCORDING TO GLEBOV, TSVETMETZAGRANPOSTVKA HAS RESPONSIBILITY FOR MINISTRY'S RELATIONS WITH FIRMS SUCH AS KAISER AND PECHINEY-UGINE KUHLMANN WHICH ARE INTERESTED IN "COMPENSATION" DEALS INVOLVING NON-FERROUS METALS SECTOR. (COMMENT: SEVERAL SOVIET MINISTRIES HAVE TAKEN STEP OF FORMING SO-CALLED "ZAGRANPOSTAVKA" (I.E. FOREIGN DELIVERIES) MAIN ADMINISTRATIONS, NOTABLY MINISTRY OF THE AVIATION INDUSTRY AND MINISTRY OF MACHINE-TOOL AND INSTRUMENT-MAKING INDUSTRY, BOTH OF WHICH CLEARLY HAVE IMPORTANT RESPONSIBILITIES IN AREA OF MAINTENANCE/SPARE PARTS FOR THEIR PRODUCTS SOLD ABROAD. COMMERCIAL OFFICE WAS RECENTLY ADVISED BY CORNING GLASS OFFICIALS THAT MINISTRY OF ELECTRONICS INDUSTRY HAD ADOPTED THIS PRACTICE AND FORMED

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ELEKTRONZAGRANPOSTAVKA. CHIEF OF THIS MAIN ADMINISTRATION, YU.V. STETECHIN, FRANKLY TOLD CORNING OFFICIALS THAT FORMATION OF NEW OFFICE WAS STEP TOWARDS ASSUMPTION BY MINISTRY OF RESPONSIBILITY FOR FOREIGN TRADE IN ITS AREA OF PRODUCTION. CORNING OFFICIALS NOTED, INTER ALIA, THAT APPEARANCE OF ELEKTRONZAGRANPOSTAVKA WAS GREAT IMPROVEMENT OVER PREVIOUS SITUATION UNDER WHICH ALL REQUESTS FOR MEETINGS WITH OFFICIALS OF MINISTRY OF ELECTRONICS INDUSTRY OFFICIALS HAD TO GO THROUGH NOTORIOUSLY

UNHELPFUL FOREIGN RELATIONS DEPARTMENT. END COMMENT).

4. COMMENT: IN MOSCOW 18350, EMBASSY REPORTED STATEMENTS BY SOVIET MINISTRY OFFICIAL WHICH DREW CONNECTION BETWEEN REORGANIZATION CURRENTLY UNDERWAY IN INDUSTRIAL SECTOR AND ASSUMPTION BY INDUSTRIAL MINISTRIES OF GREATER ROLE IN FOREIGN TRADE AREA. IN EMBASSY'S VIEW, INDUSTRIAL REORGANIZATION SEEMS TO BE GIVING MINISTRIES GREATER FEELING OF SELF-CONFIDENCE IN THEIR RELATIONSHIP WITH MINISTRY OF FOREIGN TRADE. IN ADDITION, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, WHICH BY NATURE OF ITS WORK IS IN CLOSE CONTACT WITH INDUSTRIAL MINISTRIES, APPEARS TO BE ENCOURAGING THESE MINISTRIES TO SEEK GREATER ROLE IN FOREIGN TRADE.
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